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S O L I C I T O R S

## Newsletter October 2010

### SME'S CAN DO MORE TO TACKLE CRIPPLING LATE PAYMENTS

**Small and medium sized enterprises (SMEs) in the UK are overlooking ways to protect against potentially crippling cash-flow problems.**

**SMEs have to wait an average of 41 days longer than the time scale for payment agreed with their customers before receiving payments, while £24billion is owed to SMEs at any one time. Recent research shows that that 37 per cent of late payers take between one and three months to pay invoices.**

**With the increase in VAT to 20 per cent expected to worsen the SME cash flow problem, Ilett and Clark is urging small businesses to guard against late payment.**

**Not enough businesses are aware of the protections available to them which safeguard against cash flow blockages. Solicitors will be**

**able to help SMEs take advantage of these.**

**Matthew Murphy, head of the Commercial Department at Ilett and Clark says:**



**“Average commercial debts caused by late payments are high in the UK, and for SMEs a lack of cash flow can be crippling. With credit**

**less available to those businesses from banks, late payments have a far more serious consequence for SMEs.”**

**“Considering the amount of red tape SMEs and start-ups are faced with, it is no surprise that seeking protection against late payment from customers does not come top of the to-do list. However, it could be the difference between the business surviving or not, especially in the uncertain economic climate.”**

**“A carefully worded contract drawn up by a solicitor between a business and their commercial customers can include clear terms on late payments, including penalty clauses and strict time frames for payment. Such terms can act as an effective deterrent for late payment and encourage**

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timely payment for services, thus avoiding these terms coming into play.”

Contracts between businesses which include late payment clauses need to become a common feature of the SME market. The European Union is currently looking at updating a directive aimed at tackling late payments such is the impact on the SME sector across Europe as a whole.

Matthew adds: "Many smaller businesses perhaps felt the recent budget did not do enough to tackle cash flow problems head on, and although the EU is looking at it, the safest bet is to protect against cash flow blockage between the customer and the business with a solid, solicitor-drafted contract."

Should SMEs and start-ups hit problems with customers failing to meet payment deadlines, court is not the only next-step option. Alternative Dispute Resolution and mediation are alternatives for SMEs.

Simon Fairweather, head of Ilett and Clark's Litigation Department reassures the proprietors of SME's by saying "There is a presumption that going to court is the only course of

action when late payments cannot be resolved. However, many solicitors specialise in ADR and mediation, which can prove an effective way of solving the problems for SMEs and other businesses. ADR and well-drafted contracts can be effective in avoiding the very last option, which is going court."

### About Our Firm

When choosing a solicitor, you will want a practice that thoroughly understands your requirements and is absolutely committed to providing the best legal solution - whether you are an individual or a business.

Since 1987, Ilett & Clark has grown by taking a keen and continuing interest in their clients' needs. In this sense, they are proud to offer an old fashioned service, but in every other way they have invested in the latest technology.

Ilett & Clark were the first practice in the East Midlands to be awarded Investors in People and Lexcel accreditation simultaneously. LEXCEL accreditation is an exhaustive, independent appraisal by the Law Society confirming excellent standards of

service.

So, whether you are moving home, requiring legal assistance for your business or making a will, Ilett & Clark have the expertise to guide you through every stage with specialist legal advice and the support of expert and experienced staff.

Ilett & Clark – a swift, efficient and cost effective service which completely answers your needs.



The content of this newsletter is generic and is not specific advice that is tailored to your situation. In the event that any of the issues addressed in this newsletter affect you or your business you should seek advice.

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